

Message Text

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SUBJ: PROPOSED GENERAL ELECTRIC MERGER WITH UTAH INTERNATIONAL

REF: A) CANBERRA 8409; B) CANBERRA A-127

1. SUMMARY: REFTEL A BRIEFLY MENTIONED PROPOSED MERGER BETWEEN GENERAL ELECTRIC AND UTAH INTERNATIONAL WHICH OWNS 89.2 PERCENT OF UTAH DEVELOPMENT CORP (AUSTRALIA). CONTRARY TO PRESS REPORTS, THE GOA WAS NOT INFORMED OF PROPOSED MERGER THROUGH CHARGE. MERGER WILL BE SUBJECT TO SCREENING UNDER NEW FOREIGN TAKEOVERS ACT. GOA LIKELY USE THREAT TO USE POWERS GRANTED UNDER ACT TO FORCE GREATER AUSTRALIAN EQUITY PARTICIPATION IN UTAH DEVELOPMENT CORP. END SUMMARY

2. AUSTRALIAN FINANCIAL REVIEW OF DECEMBER 19 IN BY-LINED ARTICLE BY MAURICE ADAMS IN NEW YORK CONTAINS STATEMENT THAT "A SPOKESMAN FOR GENERAL ELECTRIC TOLD AUSTRALIAN FINANCIAL REVIEW THAT GENERAL ELECTRIC DID IN FACT INFORM THE AUSTRALIAN

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GOVERNMENT OF THE PROPOSED MERGER BEFORE THE PUBLIC ANNOUNCEMENT.

THIS WAS DONE, HE SAID, THROUGH THE CHARGE D'AFFAIRES AT THE AMERICAN EMBASSY IN CANBERRA. (BUT THE MINISTER FOR MINERALS AND ENERGY, MR. ANTHONY, SAYS HE WAS NOT CONSULTED.)"

3. I HAD NO PRIOR KNOWLEDGE OF THE PROPOSED MERGER, NOR DID ANY EMBASSY OFFICER. IT OF COURSE FOLLOWS THAT EMBASSY NOT REQUESTED SERVE AS A CHANNEL FOR INFORMING GOA.

4. IN FACT, ALFRED E. BYRNE, CHAIRMAN & MANAGING DIRECTOR OF AUSTRALIAN GENERAL ELECTRIC LIMITED, SAT NEXT TO EMBOFF AT MINING CLUB LUNCHEON IN SYDNEY ONLY TWO DAYS PRIOR PUBLIC ANNOUNCEMENT AND DID NOT MENTION PROPOSED MERGER. WHEN QUERIED ON THIS SUBJECT AFTER ANNOUNCEMENT, BYRNES INFORMED ANOTHER EMBOFF THAT IT HAD NOT BEEN POSSIBLE INFORM GOA IN ADVANCE DUE TO NEED MAINTAIN SECRECY VIS A VIS U.S. STOCK MARKETS UNTIL FORMAL ANNOUNCEMENT HAD BEEN MADE. BYRNE ADMITTED THAT EVEN HE HAD NOT BEEN FULLY INFORMED OF PROPOSED MERGER.

5. DECEMBER 16 ANNOUNCEMENT OF GENERAL ELECTRIC'S INTENDED TAKEOVER OF CONTROLLING INTEREST IN UTAH INTERNATIONAL CREATED QUITE A STIR IN AUSTRALIA. DOUG ANTHONY, THEN CARETAKER MINISTER OF MINERALS AND ENERGY, IMMEDIATELY ANNOUNCED THAT GOA HAD NOT BEEN INFORMED OF PROPOSED MERGER AND THAT TAKEOVER WOULD BE SUBJECT TO THE SCREENING PROCEDURES ENVISAGED UNDER THE FOREIGN TAKEOVERS ACT (SEE CANBERRA'S A-127) WHICH WAS PASSED IN MID-AUGUST, WILL BE PROCLAIMED FORMALLY ONLY WITHIN NEXT FEW DAYS, AND WILL TAKE EFFECT ON JANUARY 1, SCREENING OF MERGER WILL BE FIRST APPLICATION OF TAKEOVERS LEGISLATION AND COULD ALSO BE FIRST TEST OF POWER OF GOA TO EXAMINE FOREIGNER TO FOREIGNER SHARE DEALS THAT AFFECT THE OWNERSHIP OF AUSTRALIAN ASSETS. SHOULD THE TAKEOVER PROCEED IN THE U.S. BUT BE FOUND BY GOA TO BE AGAINST THE NATIONAL INTEREST, THE LEGISLATION PERMITS GOA TO ORDER SALE OF SHARES, UNWIND ARRANGEMENT OR BLOCK PAYMENT OF DIVIDENDS OR THE USE OF VOTING RIGHTS ATTACHED TO THE SHARES.

6. ANTHONY FOCUSED MUCH OF HIS ATTENTION ON LONGSTANDING GOA EFFORT INCREASE AUSTRALIAN EQUITY SHARE IN UTAH DEVELOPMENT CORPORATION (UDC). IN 1970 UTAH MINING AUSTRALIA LIMITED (UMAL) WAS CREATED TO RAISE CAPITAL IN AUSTRALIA AND PURCHASED LIMITED OFFICIAL USE

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10 PERCENT OF UTAH DEVELOPMENT CORP'S SHARES. UMAL SHARE HOLDINGS IN UDC UPPED TO 10.8 PERCENT IN APRIL 1975. ANTHONY ISSUED A STATEMENT THAT "THE UTAH DEVELOPMENT COMPANY...IS INVOLVED IN THE PRODUCTION IN QUEENSLAND OF SOME 12 MILLION METRIC TONS OF HIGH-GRADE COAL A YEAR, OR 40 PERCENT OF AUSTRALIA'S EXPORTS... THE AUSTRALIAN EQUITY IN THE COMPANY IS A DISAPPOINTINGLY LOW 10 PERCENT (SIC), ALTHOUGH THE COMPANY HAS INDICATED THAT IT WILL SEEK TO INCREASE ITS AUSTRALIAN

EQUITY AS CIRCUMSTANCES PERMIT. I HAVE ALREADY MADE IT CLEAR TO THE COMPANY THAT OUR GOVERNMENT WOULD WANT TO SEE THIS INTENT TRANSLATED INTO ACTION. THERE IS NO APPARENT REASON WHY THE PROPOSED MERGER IN THE U.S.A. SHOULD AFFECT THIS INTENT. I WOULD BE VERY CONCERNED IF IT DID."

7. COMMENT: ALTHOUGH IT DOES NOT APPEAR LIKELY THAT GOA WILL ATTEMPT BLOCK PROPOSED MERGER, IT DOES SEEM CLEAR THAT GOA WILL USE THREAT TO DO SO AS MEANS FORCING INCREASED AUSTRALIAN EQUITY IN UTAH DEVELOPMENT CORP. JUST HOW THIS WILL BE DONE, AND AT WHAT COST TO WOULD-BE AUSTRALIAN EQUITY PURCHASERS REMAINS TO BE SEEN. THE NEW GOVERNMENT OPPOSES USE OF AUSTRALIAN INDUSTRIAL DEVELOPMENT CORP (AIDC) FOR PERMANENT EQUITY PURPOSES.
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